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FISCAL IMPACT STATEMENT

LS 6215 | **NOTE PREPARED:** Dec 26, 2011
BILL NUMBER: SB 228 | **BILL AMENDED:**

SUBJECT: Limits Property Tax Assessed Value Increases.

FIRST AUTHOR: Sen. Eckerty | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local

Summary of Legislation: This bill limits the annual increase in the gross assessed value of real property for property tax purposes to the lesser of 3% or the percentage change in the Consumer Price Index (CPI) for all Urban Consumers. The bill provides that the limit does not apply if: (1) the ownership of the property changes; or (2) the increase is attributable to one or more physical changes to the property.

Effective Date: July 1, 2012.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Beginning with taxes payable in 2014, this bill would limit real property assessed value (AV) increases due to reassessment or annual adjustments to the lesser of the change in CPI or 3%.

The actual change in AV varies by location and property type. Except for farmland, the statewide average change in real property AV is currently estimated at about 1.5% for taxes payable in 2014 and 2.0% for 2015. The change in farmland AV is currently estimated at 7.25% for taxes payable in 2014 and 15% for 2015. The 2012 CPI growth rate (used for 2014 taxes under this bill) is estimated at 1.49%, while the 2013 CPI growth rate (used for 2015 taxes) is estimated at 1.66%.

The change in net property tax liabilities by property type would vary by county and would depend on actual AV growth rates for each property type. On a statewide basis as compared with tax bills under current law, net property taxes would be lower for farmland and higher for most real property types in 2014 and 2015. This is because farmland values are expected to have large increases while most other property AV is expected to grow at a more moderate rate. As AV growth rates continue to increase after 2015, this bill would likely cause a slower growth in net property taxes in more classes, in more counties.

The lower assessed values would cause tax rates to rise by an estimated $0.0153 in CY 2014 and $0.0478 in CY 2015. The tax rate increases would increase both real and personal property TIF dollars in 2014 and 2015. Results would vary by TIF district. Circuit breaker credits would increase each year. The table below contains estimates of tax and circuit breaker changes under the bill.

Estimated Net Property Tax and Circuit Breaker Changes				
Net Tax by Property Type	**2014**		**2015**	
Homesteads	-0-	0.0%	+4.8 M	+0.2%
Farmland	-12.3 M	-3.6%	-45.2 M	-12.0%
Other Residential	+0.1 M	0.0%	+1.4 M	+0.2%
Commercial Apartments	-0-	0.0%	-0-	0.0
Ag_Business (Ex. Farmland)	+1.0 M	+0.8%	+3.6 M	+3.1%
Other Real Property	+1.7 M	+0.1%	+6.8 M	+0.4%
Personal Property	+3.9 M	+0.4%	+12.1 M	+1.2%
TIF Proceeds	+0.7 M	+0.1%	+2.2 M	+0.4 %
Circuit Breakers	+6.7 M	+0.9 %	+19.6 M	+2.7 %

State Agencies Affected:

Local Agencies Affected: County and township assessors; Local civil taxing units and school corporations.

Information Sources: *Consumer Price Index, All Urban* historic series and forecast series, Global Insight; LSA Property Tax Database.

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